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## Capital Budget Committee

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### ESSB 5807

**Brief Description:** Concerning the use of capital projects funds by school districts.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Brandland, Fraser, McAuliffe, King, Oemig and Shin).

#### Brief Summary of Engrossed Substitute Bill

- Expands the types of activities that may be funded with school districts' capital projects funds generated by two- to six-year levies, adding major equipment repair, exterior painting of facilities, and other major preventive maintenance purposes, so long as funds used for these purposes do not supplant routine maintenance expenditures from the district's general fund.
- Clarifies the definition of major renovation and replacement and adds major repairs, exterior painting of facilities, replacement and refurbishment of roofing, exterior walls, windows, and plumbing systems to the definition.
- Directs the Office of the Superintendent of Public Instruction to develop accounting guidelines to allow for these new uses of capital projects funds.

**Hearing Date:** 3/23/09

**Staff:** Annie Pennucci (786-7142)

#### **Background:**

By law, school districts must establish a capital projects fund for major capital purposes. Proceeds from bond sales, capital fund investments, state forest revenues, and two- to six-year levies for construction, modernization, or remodeling of school facilities (capital levies) are deposited into the capital projects fund. Monies in the capital projects fund can be used for specific purposes, including:

- major renovation, including the replacement of facilities and systems where periodic repairs are no longer economical;

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- energy audits and energy capital improvements;
- purchase of major items of equipment (except vehicles);
- costs associated with implementing technology systems; and
- costs associated with the modernization of technology systems for operations and instruction (added in 2007).

School districts pay for maintenance and other technology costs from their general fund using state allocations for non-employee related costs and any local maintenance and operation levies, which are subject to a levy lid. Under the State Constitution and statute, capital levies may be authorized for up to six years. There is no levy lid for capital levies. The Joint Legislative Task Force on School Construction Funding (Task Force) was created by the 2007 Legislature to comprehensively review and evaluate school construction funding issues. The Task Force recommended in its December 2008 report that the state should "expand the list of activities such as painting, major equipment repair or other major preventative maintenance purposes, that may be funded with local six-year school district capital levy revenues."

**Summary of Bill:**

The bill expands the types of activities that may be funded with school districts' capital projects funds generated by two- to six-year levies, adding major equipment repair, exterior painting of facilities, and other major preventive maintenance purposes. The bill requires that capital projects funds used for these activities do not supplant routine annual maintenance expenditures from the district's general fund.

The bill clarifies that, for allowable uses of capital projects funds, there are two alternative reasons for major renovation and replacement of school district facilities and systems: (1) when periodical repairs are no longer economical; and (2) to extend a facility or system's useful life beyond its original planned useful life. The bill also adds major repairs, exterior painting of facilities, replacement and refurbishment of roofing, exterior walls, windows, and plumbing systems to the definition of major renovation and repair.

The Office of the Superintendent of Public Instruction is directed to develop accounting guidelines to allow for these new uses of capital projects funds.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 19, 2009.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.